IIP grows 3.1%; manufacturing a drag in Sept

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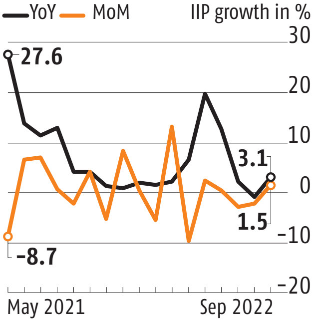
Growth in factory output recovered to a three-month high at 3.1 per cent in September as mining and electricity output grew at a robust pace even as global slowdown and elevated inflation dragged down growth in manufacturing output. This recovery comes after a surprise contraction in August.

Data released by the National Statistical Office (NSO) on Friday showed mining, manufacturing and electricity sectors grew at 4.6 per cent, 1.8 per cent and 11.6 per cent, respectively.

Compared to pre-Covid levels, the index of industrial production (IIP) reported a healthy 8.6 per cent expansion in September. It saw a rise in all categories except consumer non-durables.

ON RECOVERY PATH



Source: CSO

During the first half (April-September) of FY23, IIP grew 7 per cent against 23.8 per cent during the same period a year ago. Nine out of 23 industries in the IIP — tobacco, textiles, apparel, leather, wood, pharmaceuticals, plastic, electronics and electrical equipment — registered contraction.

"The positive feature is the strong growth in the auto sector as well as non-electrical machinery with support from metals and non-metallic minerals. Clearly, the momentum seen in the infra space has helped the cause here," said Madan Sabnavis, chief economist at Bank of Baroda.

According to use-based industries, capital goods, which is a proxy for investment demand in the economy, grew at a robust 10.3 per cent. Infrastructure goods rose 7.4 per cent due to greater capex push by the government.

However, output in consumer durables (-4.5 per cent) and consumer non-durables (-7.1 per cent) contracted in September for the second and third consecutive months, respectively. It signals continued weakness in demand in rural as well as urban India.

Rajani Sinha, chief economist at CARE Ratings, said the strong growth recorded in capital goods and infrastructure is encouraging and hopefully a precursor to a pick up in the capex cycle.

Aditi Nayar, chief economist, ICRA, said high frequency indicators suggest easing of economic activity in October relative to September.